

Discretionary support systems in the administrative sector of the Ministry of Agriculture and Forestry

A number of different nationally funded support systems are in use in the administrative sector of the Ministry of Agriculture and Forestry. Auditing these was considered important because joining the European Union has underlined the strategic significance of national support in achieving national objectives. The support systems that were covered by the audit fall into the rural development, agriculture and forestry, and fishing, reindeer and game policy categories. The audit examined the clarity of the criteria for discretionary support and the use of discretion in different support systems. These included general and special support for associations and programme-based project support that is granted to businesses and different associations.

The main question in the audit was whether the discretion exercised by administration has promoted the effective allocation of support and whether the criteria used in discretion have been clear. Official discretion is implemented in preparing legislation, in preparing the budget proposal, in allocating funds to regional administration and in granting support to individual actors. Some of the support systems in the administrative sector have been in use for decades with the same basic structures. For this reason the audit also sought to determine whether the range of supports is up to date as far as the desired outcomes are concerned. This was examined from the viewpoint of agriculture. Several forms of national support are in use in this field. The most important forms are national support for agriculture and horticulture, which exceeds 400 million euros a year, and investment support for farmers, which exceeds 100 million euros a year. Joining the Community has been a challenge for the Ministry of Agriculture and Forestry, which is responsible for managing and steering the administrative sector, to renew national support systems and bring them in line with Community norms while promoting national objectives. In supporting agricul-

ture at the regional level, official discretion has been exercised by the Employment and Economic Development Centres. The audit revealed a number of shortcomings that have weakened the effective allocation of supports. On the basis of the audit, the administrative sector's strategic competence has not been reformed to meet the requirements of acting in an international competition environment.

Conditions for and objectives of national support for economic activity need to be clarified

In an international competition environment it is particularly important to identify the national objectives of support for economic activity as well as possible targets and leeway in the level of support. On this basis one can set objectives to increase leeway when negotiations are conducted with the European Union's organs concerning national support instruments and the level of funding. Identifying leeway is also important to ensure that existing possibilities are used and that the range of supports and the level of support are in line with the European Community's norms.

The audit revealed that national leeway in supporting agriculture has not been clear with regard to allocating support. This was visible first of all in the way the national range of supports did not stand out from the other content in the budget proposal. The audit also found incorrect interpretations of the obligatory nature of European Union rules in supporting agriculture investments. Shortcomings were likewise observed in documentation concerning the criteria for and current situation of national support. In the opinion of the National Audit Office, in order to set national objectives and reform the range of supports, it is necessary to produce summary information on possibilities and restrictions regarding national support. The National Audit Office considers it important for decision-makers to have clear information at their disposal concerning possible forms of support, criteria for support and the level of support in different geographical regions.

The intended effects of support can concern the quantity and quality of national production, the state of the environment, community and culture in rural areas, and businesses' income formation. The starting point in allocating support should be information con-

cerning what types of impacts support is intended to achieve. The audit indicated that the national objectives that have been defined for supporting agriculture have been so general that they have not provided a sufficient basis for evaluating whether different support systems are up to date. The National Audit Office considers that national objectives should be clarified and possibilities to set regional objectives should also be evaluated. This would reduce uncertainty among businesses operating in different regions in the face of change.

Focusing attention on the range of supports, the role of different support systems and the total cost of support

To ensure the effective allocation of support, the comprehensiveness of the range of supports and the appropriateness of the level of financing in different support systems are of key significance. This requires information concerning what impacts different support systems are meant to achieve. The audit found support systems whose role was unclear. There was confusion as to how support is meant to guide income formation or the distribution of income or solutions that affect the scope of production or external effects. In the opinion of the National Audit Office, the role of different support systems in seeking different types of impacts should be clarified. The total costs of support can be influenced by deciding at what stage of activities support is meant to achieve impacts. Furthermore total costs can be adjusted by considering the mutual dependence between different support systems. On the basis of the audit, connections between support systems from the viewpoint of total costs have not been identified. Support systems have been managed separately in both budgeting and implementation. The National Audit Office recommends the development of the structure of the budget to make it more comprehensive in describing support for economic activity.

Official discretion should promote the effective allocation of support

The allocation of support should steer businesses' choices to production solutions that promote the achievement of the desired impacts and that would not be implemented without support. These choices can concern production techniques, field-specific choices, production methods, the size of production units and the regional location of production. On the basis of the audit, the steering effect of published objectives on discretion in allocating support was weak. At the ministry level discretion has been exercised yearly in preparing legislation, when the focuses of investment support for farmers and national support for agriculture and horticulture and support levels have been revised. The audit indicated that the Ministry of Agriculture and Forestry made poor use of expert information on different perspectives such as environmental and consumer perspectives. The National Audit Office considers that the preparation of legislation should be improved by expanding experts' participation in preparation. To ensure the effective allocation of support, published objectives should focus on discretion regarding the allocation of support.

The effectiveness of the allocation of support in discretion can be promoted by limiting access to support on the basis of the applicant's need for financing. The audit found that different agricultural support systems contained very little discretion that takes into account a business's need for financing. The National Audit Office considers that the effectiveness of support should be improved by regulating the level of support on the basis of the applicant's need for financing.

Effectiveness in the allocation of support through administrative solutions and information systems

In order to exercise discretion the party that allocates support should have competence in managing information on the impacts and costs of support. On the basis of the audit, in supporting agriculture decision-making has been concentrated on the central administration level. Solutions implemented on the central administration level have had a broad steering effect. The audit found that taking regions' special features into consideration in decision-making at the ministry level was weak. In the competition environment it is nec-

essary to identify regions' different needs for support and to promote efficient interaction between research, production, refining and marketing. Industries' preconditions for profitability vary in agriculture because of regional differences in natural environments and the degree of networking among actors. The effects of agriculture on the environment, culture and local economy also differ regionally. Consequently the effective allocation of support requires knowledge of regional operating environments and support needs.

The National Audit Office recommends that possibilities should be studied to decentralise ministry-level decision-making to the regional level in support matters for which there are no special grounds for centralisation derived from the implementation of national objectives. Since support for investments has a significant and long-term steering effect, broad possibilities to take into consideration regions' special features at the regional level are justified particularly in this form of support.

Businesses' choices can be steered with support that is allocated directly to the business and by allocating support to non-profit associations that produce expert services. Traditional financing instruments for associations have been general supports granted annually from budget funds and special supports granted for a specific project. After joining the European Community financing instruments for associations have increased with the introduction of project financing. General supports and special supports from budget funds have been granted by the ministry. In project financing support decisions are made by regional administration, however. On the basis of the audit the diversification of forms of financing for associations has weakened support authorities' preconditions to allocate support effectively. Differences in administrative practices in different support systems, the inseparability of the purposes of support, different support periods and differences in the scope of support authorities' discretion first of all present a risk of overlapping financing. Secondly the managing of support instruments at different levels of administration weakens authorities' possibilities to take advantage of synergies. On the basis of the audit, the benefits of project financing allocated to development projects are greatest in situations in which development is long-term and different parties are involved in development activities. The managing and allocation of general support financing for associations should support actors'

commitment and participation in regional development activities implemented through project financing. The National Audit Office considers that the financing model for general support for associations, which revolves around central associations, should be re-evaluated.

Organisations that promote different types of civic activities are supported by national support systems in several administrative sectors and also through project grants that are partially funded by the European Union. The audit found that authorities do not have procedures for coordinating financing channelled from different sources in advance. Multiple sources of financing and different support systems place a burden on applicants for support. The National Audit Office recommends that the possibility should be studied to assemble the financing of national support systems intended to maintain civic activities in a single administrative sector. This could be under the Ministry of Finance or the Ministry of Justice. In this connection the possibility of reforming the financing criteria for general supports on a calculatory basis should be investigated.

On the basis of the audit, the information systems in the administrative sector have not been developed from the perspective of strategic management's information needs, but from the perspective of the managing of support systems' decision and payment information. The audit found that existing information systems were utilised poorly even in describing the allocation of implemented support. The audit also found that the Employment and Economic Development Centres do not have adequate possibilities to utilise existing information systems. The National Audit Office considers that information systems in the administrative sector should be developed to serve strategic management's information needs and increase their usefulness in discretion concerning support. The risk of overlapping financing in supporting non-profit associations could be prevented by establishing a shared customer information system for different administrative sectors. This would also save administrative costs for support payment and control and would lighten customers' reporting obligation.